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STATE REPRESENTATIVE ♦ 42ND ASSEMBLY DISTRICT

TESTIMONY – AB 90
Small Business Credit Now Bill
Assembly Committee on Jobs, Economy and Small Business
October 4, 2011 – 328 Northwest

THANK YOU Chair Williams and members of the committee for scheduling AB 90, the Small Business Tax Credit NOW bill for hearing today.

Small businesses are the backbone of our economy and contribute substantially to state job creation. According to the US Census Bureau, around one half of American workers are employed by small businesses with less than 100 employees. I'm encouraged by the recognition the Legislature and Administration have now placed on small businesses and I am glad to see it will be a priority this Session.

For us to succeed in our efforts, however, we need to recognize both the unique assets and unique challenges faced by small businesses. Many are struggling, and we're losing more small businesses every month.

The credit crunch – lack of access to capital - is one of the most significant problems facing small businesses today. In a recent independent survey, 70% of business owners reported that loans are harder to get and that access to capital is a limiting factor for their business.

As banks respond to new underwriting standards they are cutting back on lines of credit and are more conservative in their lending. That means trouble for small businesses, which rely on lines of credit and conventional financing for start-up and expansion.

I recently spoke with an independent mechanic who, despite having a 25 year relationship with his hometown bank, was unable to borrow \$15,000 for 30 days – long enough to buy a diesel engine from the manufacturer and put it in a truck.

While larger corporations have larger cash reserves and can hire finance experts to help them create sophisticated liquidity schemes to weather tough times, smaller family owned and operated businesses do not have the same "rainy day" capital on hand, and they just don't have as many options.

AB 90 would make it easier for these businesses to secure the necessary financing to stay in business.

Even if a business qualifies for credit, banks now commonly require as much as 40% equity to finance a project, a tough hurdle for already cash strapped businesses.

Here in the Legislature, we're good at creating tax credits, but tax credits only get used after the investment is made and when the firm has a profit. If you can't make the investment to begin with, then a tax credit doesn't do you any good.

AB 90 would provide businesses with fewer than 25 employees or less than \$5 million in receipts to receive the value of selected tax credits for which they are eligible as a grant to be used as equity for financing. Lenders would certify the proposed loan is for activities covered under the applicable tax credit program and funds would be distributed directly to the lender at closing.

Some of the programs include the Economic Development Tax Credits, Technology Zones Credit, Dairy and Livestock Farm Investment Credit, Dairy Manufacturing Facility Investment Credit, Meat Processing Facility Investment Credit, Woody Biomass Harvesting and Processing Credit, Food Processing Plant and the Food Warehouse Investment Credit.

Passage of AB 90 would allow farmers, meat and dairy processors, loggers, small manufacturers, and other businesses easier access to credit which will lead to the creation of those jobs we so badly need.

AB 90, the Small Business Credit NOW bill, will help solve one of the major bottlenecks to our state's recovery – the credit crisis for Wisconsin's small businesses and I urge the Committee's consideration of AB 90 and swift passage to the floor of the Assembly.

I am having an amendment drafted that reflects the name change from Department of Commerce to Wisconsin Economic Development Corporation which occurred since the original drafting of AB 90, along with other technical changes needed to reflect language in the current state budget.